PETRO-CANADA

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2006

CONSOLIDATED STATEMENT OF EARNINGS *(unaudited)*
For the period ended March 31, 2006
(millions of Canadian dollars, except per share amounts)

	Three months ended March 31,	
	2006	2005
		(Note 3)
Revenue		
Operating	$ **4,415**	$ 3,767
Investment and other income *(Note 5)*	**(227)**	(492)
	4,188	3,275
Expenses		
Crude oil and product purchases	**2,100**	1,852
Operating, marketing and general	**821**	669
Exploration	**97**	82
Depreciation, depletion and amortization	**335**	302
Unrealized loss on translation of foreign currency denominated long-term debt	**2**	5
Interest	**45**	34
	3,400	2,944
Earnings from continuing operations before income taxes	**788**	331
Provision for income taxes		
Current	**532**	405
Future *(Note 6)*	**202**	(184)
	734	221
Net earnings from continuing operations	**54**	110
Net earnings from discontinued operations *(Note 3)*	**152**	8
Net earnings	$ **206**	$ 118
Earnings per share from continuing operations *(Notes 4 and 7)*		
Basic	$ **0.11**	$ 0.21
Diluted	$ **0.10**	$ 0.21
Earnings per share *(Notes 4 and 7)*		
Basic	$ **0.40**	$ 0.23
Diluted	$ **0.40**	$ 0.22

CONSOLIDATED STATEMENT OF RETAINED EARNINGS *(unaudited)*
For the period ended March 31, 2006
(millions of Canadian dollars)

	Three months ended March 31,	
	2006	2005
Retained earnings at beginning of period	$ **7,018**	$ 5,408
Net earnings	**206**	118
Dividends on common shares	**(50)**	(39)
Retained earnings at end of period	$ **7,174**	$ 5,487

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS *(unaudited)*
For the period ended March 31, 2006
(millions of Canadian dollars)

	Three months ended March 31,	
	2006	2005
		(Note 3)
Operating activities		
Net earnings	$ **206**	$ 118
Less: Net earnings from discontinued operations	**152**	8
Net earnings from continuing operations	**54**	110
Items not affecting cash flow from continuing operating activities:		
Depreciation, depletion and amortization	**335**	302
Future income taxes	**202**	(184)
Accretion of asset retirement obligations	**13**	16
Unrealized loss on translation of foreign currency denominated long-term debt	**2**	5
Gain on disposal of assets	**(2)**	-
Unrealized loss associated with the Buzzard derivative contracts *(Note 13)*	**219**	492
Other	**6**	10
Exploration expenses	**28**	50
Proceeds from sale of accounts receivable *(Note 8)*	**-**	80
(Increase) decrease in non-cash working capital related to continuing operating activities	**29**	(367)
Cash flow from continuing operating activities	**886**	514
Cash flow from discontinued operating activities *(Note 3)*	**15**	49
Cash flow from operating activities	**901**	563
Investing activities		
Expenditures on property, plant and equipment and exploration	**(759)**	(879)
Proceeds from sale of assets *(Note 3)*	**645**	1
Increase in deferred charges and other assets	**(9)**	(14)
Decrease in non-cash working capital related to investing activities	**12**	19
	(111)	(873)
Financing activities		
Increase in short-term notes payable	**-**	309
Repayment of long-term debt	**(2)**	(1)
Proceeds from issue of common shares *(Note 10)*	**22**	27
Purchase of common shares *(Note 10)*	**(476)**	(67)
Dividends on common shares	**(50)**	(39)
	(506)	229
Increase (decrease) in cash and cash equivalents	**284**	(81)
Cash and cash equivalents at beginning of period	**789**	170
Cash and cash equivalents at end of period	$ **1,073**	$ 89

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET *(unaudited)*
As at March 31, 2006
(millions of Canadian dollars)

	March 31, 2006	December 31, 2005 *(Note 3)*
Assets		
Current assets		
Cash and cash equivalents	**$ 1,073**	$ 721
Accounts receivable *(Note 8)*	**1,372**	1,617
Inventories	**768**	596
Assets of discontinued operations *(Note 3)*	**-**	237
	3,213	3,171
Property, plant and equipment, net	**16,353**	15,921
Goodwill	**754**	737
Deferred charges and other assets	**415**	415
Assets of discontinued operations *(Note 3)*	**-**	411
	$ 20,735	$ 20,655
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 2,881**	$ 2,854
Income taxes payable	**51**	82
Liabilities of discontinued operations *(Note 3)*	**-**	102
Current portion of long-term debt *(Note 9)*	**7**	7
	2,939	3,045
Long-term debt *(Note 9)*	**2,902**	2,906
Other liabilities	**2,086**	1,888
Asset retirement obligations	**941**	923
Future income taxes	**2,619**	2,405
Shareholders' equity		
Common shares *(Note 10)*	**1,364**	1,362
Contributed surplus *(Note 10)*	**969**	1,422
Retained earnings	**7,174**	7,018
Foreign currency translation adjustment	**(259)**	(314)
	9,248	9,488
	$ 20,735	$ 20,655

See accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(millions of Canadian dollars)

1. SEGMENTED INFORMATION FROM CONTINUING OPERATIONS *(Note 3)*
Three months ended March 31,

	Upstream													
	North American Natural Gas		East Coast Oil		Oil Sands		International		Downstream		Shared Services		Consolidated	
	2006	2005	2006	2005	2006				2006	2005	2006	2005	2006	2005
						2005	2006	2005 *(Note 3)*						*(Note 3)*
Revenue														
Sales to customers	$ 451	$ 431	$ 388	$ 237	$ 116	$ 129	$ 704	$ 479	$ 2,756	$ 2,491	$ -	$ -	$ 4,415	$ 3,767
Investment and other income [(1)]	(1)	-	(4)	-	-	(1)	(223)	(481)	(3)	(7)	4	(3)	(227)	(492)
Inter-segment sales	95	73	122	118		110	-	-	4	4	-	-		
Segmented revenue	545	504	506	355		238	481	(2)	2,757	2,488	4	(3)	4,188	3,275
Expenses					155									
Crude oil and product					271									
purchases	70	95	45	-		109	-	-	1,872	1,644	2	4	2,100	1,852
Inter-segment transactions		4	2	-	11	15		-	361	286	-	-		
Operating, marketing and					111									
general	105	92	47	44		95	90	84	354	327	90	27	821	669
Exploration	48	42	(1)	-	6		44		-	-	-	-	97	82
	2						-							
Depreciation, depletion and					135									
amortization	100	94	65	63	37	28	80	12	53	53	-	-	335	302
Unrealized loss on translation														
of foreign currency														
denominated long-term debt	-	-	-	-	-	20	-	72	-	-	2	5	2	5
Interest	-	-	-	-	-		-		-	-	45	34	45	34
	325	327	158	107		267	214	168	2,640	2,310	139	70	3,400	2,944
Earnings (loss) from						-		-						
continuing operations					300	-		-						
before income taxes	220	177	348	248	(29)	(29)	267	(170)	117	178	(135)	(73)	788	331
Provision for income taxes														
Current	84	79	124	85	(15)	(29)	360	193	36	100	(57)	(23)	532	405
Future [(2)]	(3)	(5)	(5)	(6)	5	19	188	(155)	6	(35)	11	(2)	202	(184)
	81	74	119	79	(10)	(10)	548	38	42	65	(46)	(25)	734	221
Net earnings (loss) from continuing operations	$ 139	$ 103	$ 229	$ 169	$ (19)	$ (19)	$ (281)	$ (208)	$ 75	$ 113	$ (89)	$ (48)	$ 54	$ 110
Expenditures on property, plant and equipment and exploration from continuing operations [(3)]	$ 213	$ 249	$ 53	$ 59	$ 119	$ 150	$ 121	$ 153	$ 251	$ 254	$ 1	$ -	$ 758	$ 865
Cash flow from continuing operating activities	$ 241	$ 235	$ 346	$ 227	$ 53	$ 37	$ 303	$ 131	$ 15	$ 11	$ (72)	$ (127)	$ 886	$ 514
Total assets from continuing operations	$ 3,759	$ 3,525	$ 2,432	$ 2,276	$ 2,671	$ 2,040	$ 5,244	$ 5,041	$ 5,863	$ 4,934	$ 766	$ 85	$ 20,735	$ 17,901

(1) Investment and other income for the International segment includes $219 million for the three months ended March 31, 2006 ($492 million for the three months ended March 31, 2005) of unrealized losses relating to the Buzzard derivative contracts (Note 13).

(2) Future income taxes for the International segment includes a charge of $242 million for the three months ended March 31, 2006 related to an increase in the U.K. supplemental corporate income tax rate.

(3) Consolidated expenditures include capitalized interest in the amount of $7 million for the three months ended March 31, 2006 ($8 million for the three months ended March 31, 2005).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
(millions of Canadian dollars, unless otherwise stated)

2. BASIS OF PRESENTATION

The note disclosure requirements for annual Consolidated Financial Statements provide additional disclosure to that required for interim Consolidated Financial Statements. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in the Company's 2005 Annual Report. The interim Consolidated Financial Statements are presented in accordance with Canadian generally accepted accounting principles and follow the accounting policies summarized in the notes to the annual Consolidated Financial Statements.

3. DISCONTINUED OPERATIONS

On December 20, 2005, the Company reached an agreement to sell its producing assets in Syria for EUR 484 million before adjustments. Accordingly, the producing assets in Syria were classified as held for sale at December 31, 2005 and are presented as discontinued operations in the International segment.

On January 31, 2006, the Company completed the sale of these assets for net proceeds of $640 million, resulting in a gain on disposal of $134 million.

The accounting for discontinued operations results in a reduction of the Consolidated Statement of Earnings balances as follows:

	Three months ended March 31,	
	2006	2005
Revenue	$ **168** [(1)]	$ 107
Expenses		
Operating, marketing and general	**6**	27
Depreciation, depletion and amortization	**-**	46
	6	73
Earnings from discontinued operations before income taxes	**162**	34
Provision for income taxes	**10**	26
Net earnings from discontinued operations	$ **152**	$ 8

The assets and liabilities of the discontinued operations were comprised of the following:

	December 31, 2005
Assets	
Current assets [(2)]	$ 237
Property, plant and equipment, net	300
Goodwill	111
Total assets	$ 648
Liabilities	
Current liabilities	$ 102
Net assets of discontinued operations	$ 546

(1) Revenue includes the gain on disposal of $134 million.
(2) Current assets include cash and cash equivalents of $68 million as at December 31, 2005.

4. STOCK DIVIDEND

In July 2005, the Company effected a two-for-one stock split in the form of a stock dividend. Common shareholders of record at the close of business on September 3, 2005 received one additional common share for each common share held. Information related to common shares, stock options and performance share units has been restated to reflect this transaction.

5. INVESTMENT AND OTHER INCOME

Investment and other income includes net losses on derivative contracts (Note 13) of $224 million for the three months ended March 31, 2006 ($505 million for the three months ended March 31, 2005).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

6. INCOME TAXES

The provision for future income taxes for the three months ended March 31, 2006 includes a $242 million charge due to the substantively enacted increase in the U.K. supplemental corporate income tax rate.

7. EARNINGS PER SHARE

The following table provides the common shares used in calculating earnings per share amounts:

	Three months ended March 31,	
(millions)	**2006**	2005
Weighted-average number of common shares outstanding – basic	**512.9**	520.1
Effect of dilutive stock options	**6.9**	6.7
Weighted-average number of common shares outstanding – diluted	**519.8**	526.8

8. SECURITIZATION PROGRAM

During 2004, the Company entered into a securitization program, expiring in 2009, to sell an undivided interest in eligible accounts receivable to a third party, on a revolving and fully serviced basis.

In March 2005, Petro-Canada increased the limit to sell eligible accounts receivable under the program from $400 million to $500 million. During the three months ended March 31, 2005, the Company sold an additional $80 million of outstanding receivables for net proceeds of $80 million. As at March 31, 2006, $480 million of outstanding accounts receivable had been sold under the program.

9. LONG-TERM DEBT

	Maturity	**March 31, 2006**	December 31, 2005
Debentures and notes			
5.95% unsecured senior notes ($600 million US)	2035	$ **700**	$ 700
5.35% unsecured senior notes ($300 million US)	2033	**350**	350
7.00% unsecured debentures ($250 million US)	2028	**291**	292
7.875% unsecured debentures ($275 million US)	2026	**321**	321
9.25% unsecured debentures ($300 million US)	2021	**350**	350
5.00% unsecured senior notes ($400 million US)	2014	**466**	466
4.00% unsecured senior notes ($300 million US)	2013	**350**	350
Capital leases	2007-2017	**75**	77
Retail licensee trust loans	2012-2014	**6**	7
		2,909	2,913
Current portion		**(7)**	(7)
		$ **2,902**	$ 2,906

10. SHAREHOLDERS' EQUITY

Changes in common shares and contributed surplus were as follows:

	Shares	Amount	Contributed Surplus
Balance at December 31, 2005	515,138,904	$ 1,362	$ 1,422
Issued under employee stock option and share purchase plans	1,107,097	22	-
Repurchased under normal course issuer bid	(8,786,800)	(23)	(453)
Stock-based compensation	-	3	-
Balance at March 31, 2006	507,459,201	$ 1,364	$ 969

Petro-Canada's current normal course issuer bid program (NCIB) extends to June 21, 2006 and entitles the Company to purchase up to 5% of the outstanding common shares, subject to certain conditions. During the three months ended March 31, 2006, the Company purchased 8,786,800 common shares at a cost of $476 million (1,889,800 common shares at a cost of $67 million during the three months ended March 31, 2005). Under the current program, the Company has purchased 13,506,800 common shares at a cost of $693 million. The excess of the purchase price over the carrying amount of the shares purchased is recorded as a reduction of contributed surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

11. STOCK-BASED COMPENSATION

Changes in the number of outstanding stock options and performance share units (PSUs) were as follows:

	Stock Options		PSUs
	Number	Weighted-Average Exercise Price *(dollars)*	Number
Balance at December 31, 2005	18,361,617	$ 24	1,158,967
Granted	4,693,100	52	376,754
Exercised	(1,107,097)	20	-
Cancelled	(124,085)	35	(18,576)
Balance at March 31, 2006	21,823,535	$ 31	1,517,145

The total stock-based compensation expense recorded was $65 million during the three months ended March 31, 2006 ($18 million for the three months ended March 31, 2005).

Compensation expense has not been recorded for stock options issued prior to 2003. The following table presents the pro forma net earnings and the pro forma earnings per share computed assuming the fair value based accounting method had been used to account for the compensation cost of stock options granted in 2002.

	Three months ended March 31,					
	2006	2005	**2006**		2005	
	Net earnings		Earnings per share *(dollars)*			
			Basic	Diluted	Basic	Diluted
Net earnings as reported	$ **206**	$ 118	$ **0.40**	$ **0.40**	$ 0.23	$ 0.22
Pro forma adjustment	**1**	2	**-**	**0.01**	-	-
Pro forma net earnings	$ **205**	$ 116	$ **0.40**	$ **0.39**	$ 0.23	$ 0.22

12. EMPLOYEE FUTURE BENEFITS

The Company maintains pension plans with defined benefit and defined contribution provisions and provides certain health care and life insurance benefits to its qualifying retirees. The expenses associated with these plans are as follows:

	Three months ended March 31,	
	2006	2005
Pension Plans:		
Defined benefit plans		
Employer current service cost	$ **10**	$ 8
Interest cost	**21**	21
Expected return on plan assets	**(25)**	(22)
Amortization of transitional asset	**(2)**	(1)
Amortization of net actuarial losses	**13**	9
	17	15
Defined contribution plans	**4**	4
	$ **21**	$ 19
Other post-retirement plans:		
Employer current service cost	$ **1**	$ 1
Interest cost	**3**	3
Amortization of transitional obligation	**1**	1
	$ **5**	$ 5

The Company expects to contribute approximately $100 million to its pension plans in 2006.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*

13. FINANCIAL INSTRUMENTS AND DERIVATIVES

Investment and other income includes unrealized gains and losses on the outstanding derivative contracts associated with the 2004 acquisition of an interest in the Buzzard field in the U.K. sector of the North Sea. These contracts resulted in an unrealized loss of $219 million for the three months ended March 31, 2006 ($492 million for the three months ended March 31, 2005).

Unrealized gains and losses on all derivative contracts decreased investment and other income by $219 million for the three months ended March 31, 2006 ($494 million for the three months ended March 31, 2005). As at March 31, 2006, accounts receivable, accounts payable and accrued liabilities, and other liabilities have been increased by $6 million, $2 million and $1,441 million, respectively, as a result of unrealized mark-to-market amounts on derivative contracts.